

RETURNS PROCESSING CENTER

ALTERNATIVE FILING METHODS

It is the goal of the Indiana Department of Revenue (IDOR) to process as many individual income tax returns through alternative means as possible. By "alternative means" of filing, the department is referring to any tax returns that can be filed without the use of paper forms that need to be pre-edited and key punched. Thus far, 53% of all Hoosier taxpayers have chosen one of the following alternative means of state income tax filing: Two-Dimensional Barcode, Federal/State E-File, Federal/State TeleFile, Federal/State On-line Filing and the Indiana I-File program.

Continued Success of the Two-Dimensional Barcode Program

The Indiana Department of Revenue continues to have great success with the two-dimensional (2-D) barcode as one of the many alternative methods of filing the Individual Income Tax Returns.

The department worked with eight software companies that can produce the two-dimensional barcode on paper individual income tax returns. In addition, there are six software companies that can produce the two-dimensional barcode on paper corporation income tax returns. All of the data shown on the paper return is captured and stored in the barcode, itself. By simply scanning the two-dimensional barcoded return, the processing time is cut significantly. The department has determined that a group of 60 barcode returns can be batched and processed into the Returns Processing System within 15 minutes. A similar number of regular paper returns will take approximately three hours to process.

The department has received approximately 2.9 million individual income tax returns so far this year, and over 564,500 of the 1.9 million paper returns filed have been submitted with the scannable two-dimensional barcode on the front of the return. During the previous tax year, when there were eight software companies involved in this program, the department received over 534,500 two-dimensional individual income tax returns with this program. This is an increase of approximately 5.6%.

Corporate and Fiduciary Two-Dimensional Barcode Filing

In the second year of Corporate two-dimensional barcode filing, three new Corporate forms were added to the program. Forms IT-20S, IT-65 and IT-20NP, along with forms IT-20 and IT-20SC that were previously available, resulted in approximately 40,000 corporate barcode filings through the first half of the year, compared to fewer than 4,000 for the entire previous year. In addition, fiduciary returns (form IT-41) were added to the program this year. Nearly 9,000 have been filed so far.

Electronically Filed Individual Income Tax Returns

The Federal/State E-File, Federal/State TeleFile, Federal/State On-line Filing, and Indiana I-File programs are true electronically-filed tax returns by either a computer or a telephone.

All federal/state filing programs require the Federal and Indiana individual income tax returns to be filed together and sent to the IRS. Once the IRS has accepted the filing of the federal return, they will allow Indiana to retrieve state returns for processing. If the federal returns are accepted by the IRS, the department receives and posts the electronic returns to the Returns Processing System in only two to three days from the time they were first electronically transmitted. The Indiana I-File program is what is known as a stand-alone program, with only the Indiana individual income tax return being filed through the Internet. Once accepted, these returns are posted to our Returns Processing System in two days from the day it was transmitted.

Since 1992, Indiana has been involved with the Federal/State E-File program, a program that has steadily increased in its number of filers. Of the 2.9 million individual income tax returns received this year, almost 742,000 were filed through this program (an increase of 15% over last year). With this program, taxpayers have their individual income tax returns filed through an Electronic Return Originator (ERO), usually a paid tax practitioner.

Indiana began accepting returns from the IRS on two additional programs in 1998. These two programs were the Federal/State TeleFile and Federal/State On-line Filing programs. The Federal/State TeleFile program allows qualified Indiana residents to file their federal and state returns with a touch-tone telephone absolutely free of charge. Taxpayers who qualify should receive both the Federal and Indiana TeleFile booklets (Indiana's is wrapped with the IT-40EZ Booklet). This year, over 72,000 Indiana taxpayers used the TeleFile Program, a 1% increase over last year.

The Federal/State On-line Filing program was designed for those taxpayers who like to complete their own tax forms and want to file their federal and Indiana returns from their home computer. The software for this program is practically the same as that used by the paid practitioners in the Federal/State E-file Program. This program seems to be the hottest ticket in electronic filing. Revenue has received over 143,000 Indiana individual income tax returns through this program this year -- for a 58% increase.

Over 43,000 Indiana taxpayers took advantage of the Indiana I-File Program this year, an increase of 26% from the previous year.

Altogether this year, the department has received over one million electronically-filed Indiana individual income tax returns. Overall, this is an increase of 19% from last year's final electronic filing figures.

Looking to the Future

Indiana, along with all of the other states involved in the Federal/State E-File Program, has been working with the IRS to allow Electronic Filing Originators (ERO's) to file a state-only return through the federal/state program. This would allow taxpayers who are not required to file a federal return, but are required to file a state tax return, to take advantage of this fast and accurate tax processing system. This would be a great help to taxpayers claiming the Unified Tax Credit for the Elderly.

Returned Mail

Two-dimensional (2-D) barcode functionality was incorporated into IDOR's Returned Mail Section in February 2002. A 2-D barcode is now printed on all correspondence and notices generated from our Returns Processing System (RPS). Whenever RPS-generated correspondence or notices are returned to IDOR undeliverable, an operator in the Returned Mail Section scans the barcodes, which flags those taxpayers' addresses in the RPS system with Post Office Returned (POR) indicators. This prevents future mailings to that particular address, thereby saving the state the costs for additional mailings to a bad address. If the United States Postal Service has provided a new address for the taxpayer, or a new address has been entered in RPS subsequent to the mailing, the operator can generate a preprinted envelope with the new address for remailing. The department receives thousands of pieces of returned mail annually, and this process has enabled the Returned Mail Section to maintain a backlog of no more than two weeks.

Electronic Funds Transfer (EFT) Section

The EFT Section is responsible for facilitating the electronic payments of certain business, riverboat, pari-mutuel gambling and other taxes collected by vendors on behalf of the state. The EFT staff offers full service assistance to business taxpayers who remit electronically. From EFT registration to problem resolution, the EFT staff is available to provide assistance and answer questions. During the State's fiscal year July 1, 2001 to June 30, 2002, over \$7.5 billion were processed through this section.

TAXPAYER SERVICES

Scanning of Returned Refund Warrants

During FY02 Taxpayer Services Division began the new procedure of scanning returned refund warrants. When tax refunds are returned as undeliverable from the United States Postal Service, the barcodes located on the front of the refund warrants are scanned to code the taxpayers' accounts in our Returns Processing System. If there are new addresses on file for the taxpayers, envelopes are printed with the new addresses, and the refunds are remailed right away. If new addresses are received at a later date, address labels are printed overnight, the refund warrants pulled and remailed the next business day. In both cases the refund warrants' barcodes are scanned again to show that the refunds have been remailed. This automated process allows taxpayers to receive their refunds more quickly.

New Q-Matic Numbering System

A Q-Matic Numbering System has been installed. This system allows the department to determine how many taxpayers have been assisted by category and to analyze statistics on the type of services rendered. It also provides an automated ticketing system for Taxpayer Assistance.

Taxpayer Service Assistance Section hours

Taxpayer Services Assistance Section made the following changes in its hours of operation:

- The Walk-In Assistance Center is now open from 8:00 a.m. to 4:30 p.m.
- The Call Center is open from 8:15 to 11:15 a.m. and 12:30 to 4:30 p.m.

PERSONNEL

Automated Timekeeping System

The Payroll/Benefits Section implemented a new automated timekeeping system. In the past, this function was on paper and data was input manually. Automating this function has saved approximately 20 man-hours per pay period.

Supervisor FML Training

The Payroll/Benefits Section also provided training for 60 Revenue supervisors on how to identify employees potentially needing Family Medical Leave (FML) and how to assist them in applying for this benefit, among other FML procedures.

Union/Management Concerns

During FY02, the Health and Safety Committee comprised of management and Unity Team Members met three times. The following issues were addressed by this committee:

Due to the incidents of September 11, 2001, there was an increased concern of bio-terrorism. The committee helped to formulate Mail Opening Procedures and precautionary measures.

This Committee continues to work on an evacuation plan for the Indiana Government North Center that will be coordinated with Facilities Management.

Bring Your Youth to Work Day

Approximately 70 children participated.

State Employee's Community Campaign (SECC)

Our agency raised \$46,206 through payroll deduction. We had 69.7% of our employees give through payroll deduction, which is an increase of 14.2% over the previous year.

TAXFAX

During Fiscal Year 2002, the TaxFax system answered 11,949 calls, which was 3.5% down from the 2001 fiscal year. This decrease coincides with the increased development by the department and increased usage by taxpayers of the department's Internet site (www.IN.gov/dor), where forms are available for downloading.